

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET

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MESSAGE FROM THE DIRECTOR

Moody's Analytics, formerly Moody's Economy.com, recently completed its analysis of the North Dakota economy for its Précis U.S. State October 2010 publication. The report depicts a strong, growing economy, leading the nation in several areas. Moody's notes that "North Dakota is one of the few states where payroll employment has already surpassed its prerecession peak. The state's unemployment rate is also the lowest in the nation."

As the rest of the nation recovers from recession, the outlook for North Dakota continues to be positive. "Increases in global business investment and favorable exchange rates will provide a boost to manufacturers and other export-related industries. Commodity prices will increase as the global recovery accelerates, supporting gains in state income." Gross state product, which was \$24.6 billion in 2009, is projected to grow by \$5.0 billion by 2014, a 20.3 percent increase. Total employment is expected to grow from 366,000 in 2009 to 395,000 in 2014, an increase of 29,000 jobs, or 7.9 percent. Personal income is expected to grow by 4.0 to 5.2 percent each year from 2011 through 2014.

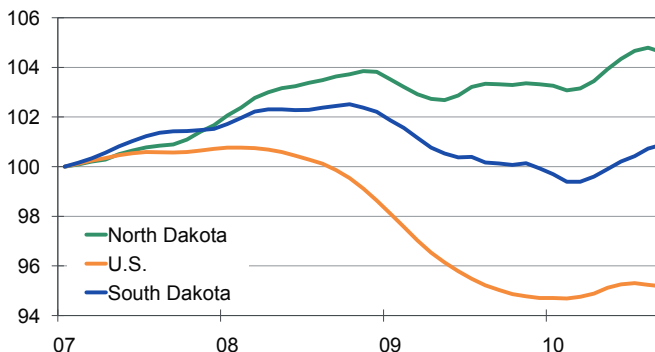
Median household income and per capita income for North Dakota have both surpassed the national average. For 2008, median household income was \$50,075 in

North Dakota and \$49,777 for the U.S. Per capita income was \$40,727 for North Dakota, based on 2009 Bureau of Economic Analysis data, but only \$39,626 for the U.S.

The job market, which remains weak nationally, has performed well in North Dakota. The following table shows the stark contrast between the performance of the North Dakota labor market and that of the U.S. Job market growth is expected to continue in North Dakota as employment performance is projected to exceed the national average by a wide margin through the forecast horizon of 2014.

North Dakota's Job Market Stands Out

Employment, Jan 2007=100, 3-mo MA



Source: BLS

Moody's
ANALYTICS

FROM MOODY'S ECONOMY.COM 1

OIL ACTIVITY



The legislative revenue forecast for the 2009-11 biennium is based on gradually increasing oil price and production – starting at \$40 per barrel and 205,000 barrels per day and ending the biennium at \$55 per barrel and production of 225,000 barrels per day. Currently, the posted price for North Dakota sweet crude is around \$67 per barrel. Production jumped to a new record in September -- over 341,000 barrels per day. The current rig count is 162 rigs, 94 rigs more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Sept 2010	August 2010	July 2010
Actual average price per barrel	\$68.52	\$66.78	\$66.21
Production (barrels/day)	341,400	328,900	321,100
Drilling permits	167	138	145
Producing wells	5,197	5,115	5,051
Rig count	143	140	135

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium October 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	46,928,000	56,266,473	9,338,473	19.9%	751,381,000	778,726,604	27,345,604	3.6%
Motor Vehicle Excise Tax	4,057,000	4,911,697	854,697	21.1%	55,394,000	76,940,158	21,546,158	38.9%
Individual Income Tax	39,889,000	32,123,725	(7,765,276)	-19.5%	429,344,000	404,283,133	(25,060,867)	-5.8%
Corporate Income Tax	12,605,000	7,295,736	(5,309,264)	-42.1%	132,769,000	111,056,405	(21,712,595)	-16.4%
Insurance Premium Tax	115,000	39,800	(75,200)	-65.4%	36,050,000	35,323,106	(726,894)	-2.0%
Financial Institutions Tax		(44,723)	(44,723)	-100.0%	4,750,000	3,032,790	(1,717,210)	-36.2%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	810,856	551,019	(259,837)	-32.0%	11,127,462	10,447,979	(679,483)	-6.1%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	1,958,000	1,999,901	41,901	2.1%	31,076,000	30,817,239	(258,761)	-0.8%
Wholesale Liquor Tax	587,000	659,364	72,364	12.3%	9,146,000	10,067,015	921,015	10.1%
Coal Conversion Tax	1,948,000	1,563,137	(384,863)	-19.8%	28,139,000	25,627,442	(2,511,558)	-8.9%
Mineral Leasing Fees	2,000,000	829,381	(1,170,619)	-58.5%	15,200,000	10,072,233	(5,127,767)	-33.7%
Departmental Collections	2,148,052	2,127,646	(20,406)	-0.9%	39,349,489	43,917,354	4,567,865	11.6%
Interest Income	865,951	670,417	(195,534)	-22.6%	15,715,380	25,822,176	10,106,796	64.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers	161,000	184,200	23,200	14.4%	966,000	2,108,878	1,142,878	118.3%
Total Revenues and Transfers	114,072,859	109,177,771	(4,895,088)	-4.3%	1,934,352,749	1,945,602,968	11,250,219	0.6%

* Oil and gas production and extraction tax collections totaled \$43.2 million in October. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through October, oil tax collections totaling \$429.8 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2009-11 Biennium October 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	October 2008	October 2010	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	57,019,989	56,266,473	(753,516)	-1.3%	698,649,429	778,726,604	80,077,175	11.5%
Motor Vehicle Excise Tax	6,166,039	4,911,697	(1,254,342)	-20.3%	91,458,907	76,940,158	(14,518,749)	-15.9%
Individual Income Tax	54,329,817	32,123,725	(22,206,092)	-40.9%	416,353,609	404,283,133	(12,070,476)	-2.9%
Corporate Income Tax	6,216,404	7,295,736	1,079,332	17.4%	149,108,780	111,056,405	(38,052,375)	-25.5%
Insurance Premium Tax	110,353	39,800	(70,553)	-63.9%	38,297,086	35,323,106	(2,973,980)	-7.8%
Financial Institutions Tax	84,944	(44,723)	(129,667)	-152.6%	6,632,501	3,032,790	(3,599,712)	-54.3%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	967,390	551,019	(416,371)	-43.0%	13,275,599	10,447,979	(2,827,620)	-21.3%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	1,997,723	1,999,901	2,178	0.1%	30,783,195	30,817,239	34,043	0.1%
Wholesale Liquor Tax	658,722	659,364	642	0.1%	9,437,073	10,067,015	629,941	6.7%
Coal Conversion Tax	2,128,212	1,563,137	(565,075)	-26.6%	32,405,841	25,627,442	(6,778,399)	-20.9%
Mineral Leasing Fees	2,393,062	829,381	(1,563,682)	-65.3%	17,324,605	10,072,233	(7,252,373)	-41.9%
Departmental Collections	1,687,728	2,127,646	439,917	26.1%	39,593,340	43,917,354	4,324,014	10.9%
Interest Income	1,587,775	670,417	(917,357)	-57.8%	28,815,131	25,822,176	(2,992,954)	-10.4%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	295,000,000	180,000,000	156.5%
Other Transfers	178,639	184,200	5,561	3.1%	1,024,855	2,108,878	1,084,023	105.8%
Total Revenues and Transfers	135,526,798	109,177,771	(26,349,027)	-19.4%	1,764,459,951	1,945,602,968	181,143,017	10.3%

* Oil and gas production and extraction tax collections totaled \$43.2 million in October. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through October, oil tax collections totaling \$429.8 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

VARIANCES

October 2010 revenues were \$109.2 million, \$4.9 million less than projected in the legislative forecast. Biennium to date revenues exceed the legislative forecast by \$11.3 million, or .6 percent. Notable variances for the month are as follows:

- **Sales tax** collections for the month exceed the legislative forecast by \$9.3 million. Biennium to date collections, which have trailed slightly below forecast for several months, are now 3.6 percent higher than projected and 11.5 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections again exceed the legislative forecast -- by \$855,000 for the month and \$21.5 million for the biennium to date. Adjusting for legislatively authorized changes in the allocation of motor vehicle excise tax revenues between the general fund and the highway fund, 2009-11 biennium collections are \$12.8 million higher than at the same point in 2007-09.
- **Individual income tax** collections have trailed below forecast since April, when we realized an unexpected shortfall due primarily to capital losses and declining unearned income attributable to the national recession. October collections were less than originally estimated by \$7.8 million.
- **Coal conversion tax** collections continue to fall short of projections, primarily reflecting the impact of the coal conversion tax credits enacted by the 2009 legislature in Senate Bill No. 2221.
- **Mineral leasing fees**, received from the federal government for mineral extraction on federal land located within the state, have consistently fallen short of the forecast despite the increasing volume of oil activity in the state. This variance is likely the result of variations in the bonus amounts paid for oil exploration leases on federal land.